

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-02

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00

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FM AMEMBASSY BONN

TO SECSTATE WASHDC 3141

INFO AMEMBASSY BRUSSELS

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

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AMEMBASSY ROME

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USMISSION EC BRUSSELS

UNCLAS BONN 15740

DEPARTMENT PASS TREASURY

E.O. 11652: N/A

TAGS: EFIN, GW

SUBJECT: POEHL SAYS GOVERNMENT MAY SOON BORROW DIRECTLY
FROM FOREIGN BANKS

1. IN AN EXTENSIVE ARTICLE IN THE REPUTABLE WEEKLY
PAPER "DIE ZEIT" DEALING WITH THE GROWING GERMAN FEDERAL
DEBT FINANCE MINISTRY STATE SECRETARY POEHL IS QUOTED
AS SAYING THAT THE FEDERAL GOVERNMENT TOWARD THE END OF
THE YEAR WILL BEGIN WORKING DIRECTLY WITH FOREIGN BANKS
TO RAISE THE MONEY NECESSARY TO FINCE THE FEDERAL
DEFICIT. CURRENTLY THE FEDERAL GOVERNMENT HAS EXHAUSTED
ITS BORROWING AUTHORITY UNDER THE 1975 BUDGET
AND MUST AWAIT PASSAGE OF THE SUPPLEMENTARY BUDGET
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BEFORE TAKING UP FURTHER CREDITS.

2. ACCORDING TO POEHL, THE FEDERAL GOVERNMENT WILL NEED AN ADDITIONAL DM 14 BILLION BY THE END OF THE YEAR WHICH HE FELT COULD BE FINANCED WITHOUT DIFFICULTY. HE POINTED OUT THAT THE GOVERNMENT HAS A RESERVE CREDIT (KASSENKREDIT) WITH THE BUNDESBANK OF DM 6 BILLION, THAT THE DOMESTIC BANKS ARE SWIMMING IN LIQUIDITY AND THAT CURRENTLY THE FEDERAL GOVERNMENT IS THE ONLY BORROWER WITH NEEDS IN LOTS OF A BILLION OR SO. (NOTE: THE RESERVE CREDIT WITH THE BUNDESBANK IS A SPECIAL LIQUIDITY SOURCE FOR THE FEDERAL GOVERNMENT TO BE USED TO BRIDGE TEMPORARY DEFICITS.) POEHL MENTIONED THAT THE GOVERNMENT -- IN VIEW OF EXCHANGE RATE DEVELOPMENTS -- COULD WITH NO PROBLEM TAKE UP ITS CREDIT NEEDS ABROAD. POEHL WAS QUOTED THAT SUCH ACTION WOULD STIMULATE INCREASED COMPETITION BETWEEN BANKS (APPARENTLY BETWEEN DOMESTIC AND FOREIGN BANKS) AND THEREBY PERMIT THE GOVERNMENT TO GET ITS NEEDED MONEY AT THE CHEAPEST RATES. SWISS AND ARAB BANKS WERE MENTIONED SPECIFICALLY AS SOURCES OF POSSIBLE DIRECT FOREIGN BORROWINGS.
HILLENBRAND

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